

Message Text

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SUBJ: REPORTED CUTBACK IN SOVIET AUTOMOBILE PRODUCTION PLANS

REF: A) 75 MOSCOW 3358, B) MOSCOW 12861

1. SUMMARY: A. A. ZHITKOV, DIRECTOR GENERAL OF USSR'S GIANT VAZ AUTOMOBILE COMPLEX (VOLZHSKOYE OB'YEDINENIYE PO PROIZODSTVU LEGKOVYKH AVTOMOBIELY) CENTERED IN TOL'YATTI, INDICATED TO GOULD EXECUTIVE TWO WEEKS AGO THAT EARLIER MINISTRY PROJECTIONS FOR SOVIET AUTOMOBILE PRODUCTION HAD BEEN CUT BACK IN 1976-80 FYP. END SUMMARY

2. RICHARD V. SCHAGER, DIRECTOR OF INTERNATIONAL OPERATIONS FOR GOULD'S ENGINE PARTS DIVISION, TOLD COMOFF AUG 13 OF APPARENT CUT BACK IN SOVIET AUTOMOBILE PRODUCTION PLANS. SCHAGER EXPLAINED THAT OUTPUT FROM 47 MILLION DOLLAR HALF-BEARING PRODUCTION MACHINERY GOULD IS INSTALLING AT DIMITROVGRAD'S DAAZ PLANT (REF A) HAD ORIGINALLY BEEN DESTINED FOR TWO EXISTING DIESEL ENGINE PLANTS, KAMAZ'S DIESEL PLANT, AND NEW DIESEL FACTORY STILL ON DRAWING BOARD. AT ELEVENTH HOUR, HOWEVER, SOVIETS TOLD COMPANY NEW PLANT HAD BEEN SIDETRACKED AND ASKED GOULD TO PROVIDE MODIFICATIONS NECESSARY FOR PRODUCTION OF BEARINGS FOR MOSKVICH AUTOMOBILE'S GASOLINE ENGINE. COMPANY COMPLIED.

3. IN DIMITROVGRAD TO SUPERVISE INITIAL INSTALLATION WORK,
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SCHAGER TRAVELED TO TOL'YATTI FOR MEETING WITH ZHITKOV, WHO

SUPERVISES DAAZ AS PART OF VAZ COMPLEX. AFTER DISCUSSION OF CONSTRUCTION DELAYS (REF B) ZHITKOV CONFESSED THAT BEARINGS FROM GOULD MACHINERY WOULD GLUT SOVIET MARKET AND ASKED IF COMPANY MIGHT BE WILLING TO SUBSTITUTE EQUIPMENT FOR PRODUCTION OF AUTOMOTIVE BUSHINGS, WHICH WILL STILL BE IN SHORT SUPPLY. SCHAGER SAID REQUEST CAME 18 MONTHS LATE BUT ASKED WHY QUESTION RAISED. ZHITKOV REPLIED THAT PORTION OF BEARING PRODUCTION DESTINED FOR MOSKVICH ENGINE COULD NOT BE USED AS NEW FYP DECREED CUTBACK IN HIS MINISTRY'S PREVIOUS PLANS FOR AUTOMOBILE PRODUCTION.

4. COMMENT: AUTOMOBILE PRODUCTION IN 1975 WAS 1.2 MILLION AND, ACCORDING TO THE TENTH FIVE YEAR PLAN GUIDELINES, ONLY SMALL INCREASES IN THAT LEVEL ARE ANTICIPATED BY 1980. WHILE THIS DECISION WOULD BE IN KEEPING WITH THE PLAN BY-WORDS OF QUALITY AND EFFICIENCY OF OUTPUT FROM EXISTING CAPACITY, IT COULD ALSO REFLECT CONCERN ABOUT FUEL CONSUMPTION AS WELL AS REDUCED EXPECTATIONS OF FOREIGN EXCHANGE AVAILABILITY INsofar AS CAPITAL EQUIPMENT WOULD BE IMPORTED.

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